

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Charter Township of Kinross, Michigan</b>	County <b>Chippewa</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/9/05</b>	Date Accountant Report Submitted to State: <b>8/19/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Anderson, Tackman &amp; Company, PLC</b>			
Street Address <b>16978 S. Riley Avenue</b>	City <b>Kincheloe</b>	State <b>MI</b>	ZIP <b>49788</b>
Accountant Signature 		Date <b>8/19/05</b>	

**CHARTER TOWNSHIP OF KINROSS, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

March 31, 2005

**CHARTER TOWNSHIP OF KINROSS, MICHIGAN**

ORGANIZATION

**MEMBERS OF THE CHARTER TOWNSHIP BOARD**

Supervisor	Jason Oberle
Treasurer	Vicki Ulrich
Clerk	Marvin Besteman Jr.
Trustee	Ed DeWitt
Trustee	Wayne Donaway
Trustee	Fred McClendon
Trustee	Dan Mitchell

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	3
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	7
Statement of Activities .....	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	9
Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	11
Proprietary Funds:	
Statement of Net Assets .....	12
Statement of Revenues, Expenses, and Changes in Net Assets .....	13
Statement of Cash Flows .....	14
Fiduciary Funds:	
Statement of Fiduciary Net Assets .....	15
Statement of Changes in Fiduciary Net Assets .....	16
<b>NOTES TO FINANCIAL STATEMENTS</b> .....	17
<b>REQUIRED SUPPLEMENTAL INFORMATION:</b>	
Major Funds:	
Budgetary Comparison Schedule – General Fund .....	35
Budgetary Comparison Schedule – Ambulance .....	36
Budgetary Comparison Schedule – Police .....	37

**OTHER SUPPLEMENTAL INFORMATION:**

Combining Balance Sheet – Nonmajor Governmental Funds .....	38
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	39
Combining Statement of Net Assets – Nonmajor - Enterprise Funds.....	40
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Nonmajor –Enterprise Funds .....	41
Combining Statement of Cash Flows – Nonmajor – Enterprise Funds .....	42

**REPORT ON COMPLIANCE:**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	43
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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Charter Township of Kinross, Michigan  
Kincheloe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Charter Township of Kinross, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Charter Township of Kinross, Michigan, implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments* as of April 1, 2004. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2005 on our consideration of the Charter Township of Kinross, Michigan’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management’s Discussion and Analysis and the budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Kinross, Michigan’s, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 9, 2005

## **Management's Discussion and Analysis**

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**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a long-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements. (A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Kinross Charter Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.)

**The Township as a Whole**

The Township's combined net assets decreased 2.4% from a year ago, decreasing from \$14,581,913 (after prior period adjustment) to \$14,228,776. As we look at the governmental activities separately from the business-type activities, we can see that net assets of the governmental activities experienced an increase of \$201,038 during the year (3.8% increase). The business-type activities experienced a \$554,175 (5.9%) decrease in net assets, primarily as a result of depreciation of fixed assets

Comparative Analysis to the previous year's financial results is not available due to this being the first fiscal year of implementation of GASB 34. It will be provided in future years when prior year information is available.

In a condensed format, the table below shows the net assets Kinross Charter Township as of March 31, 2005.

	Governmental Activities 2005	Business-Type Activities 2005	Total 2005
Current Assets	\$ 1,081,296	\$ 964,656	\$ 2,045,952
Noncurrent Assets	4,606,705	8,120,622	12,727,327
Total Assets	5,688,001	9,085,278	14,773,279
Current Liabilities	54,693	102,884	157,577
Long-Term Debt Outstanding	108,608	278,318	386,926
Total Liabilities	163,301	381,202	544,503
Net Assets			
Invested in Capital Assets - Net of Debt	4,520,051	7,875,622	12,395,673
Unrestricted (Deficit)	1,004,649	828,454	1,833,103
Total Net Assets	\$ 5,524,700	\$ 8,704,076	\$ 14,228,776

The current level of unrestricted net assets for our governmental activities stands at \$950,662, or about 49.5% of expenses. This is within the targeted range set by the Township Board of Trustees during its last budget process.

The following table shows the activities of the Township.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2005</u>	<u>2005</u>	<u>2005</u>
Program Revenues			
Charges for Services	\$ 1,267,501	\$ 1,841,456	\$ 3,108,957
Operating Grants and Contributions	63,791	-	63,791
General Revenues			
Property Taxes	368,034	-	368,034
Federal, State, Local - General	4,091	32,170	36,261
State Revenue Sharing	515,043	-	515,043
Donations	700	-	700
Interest on Deposits	26,746	24,929	51,675
Investment Earnings (Loss)	(10,820)	(9,595)	(20,415)
Gain on Disposal of Fixed Asset	4,001	8,566	12,567
Transfers	<u>(119,515)</u>	<u>119,515</u>	<u>-</u>
Total Revenues	<u>2,119,572</u>	<u>2,017,041</u>	<u>4,136,613</u>
Program Expenses			
Legislative	10,022	-	10,022
General Government	418,851	-	418,851
Public Safety	285,683	-	285,683
Health and Welfare	987,753	-	987,753
Recreation	38,895	-	38,895
Public Works	43,893	-	43,893
Debt Service	11,537	-	11,537
Other Expenses	121,900	-	121,900
Recreation Center	-	153,056	153,056
Chippewa County Fair Grounds	-	91,760	91,760
Golf Course	-	411,213	411,213
Public Works	<u>-</u>	<u>1,795,487</u>	<u>1,795,487</u>
Total Expenses	<u>1,918,534</u>	<u>2,451,516</u>	<u>4,370,050</u>
Change in Net Assets	<u>\$ 201,038</u>	<u>\$ (434,475)</u>	<u>\$ (233,437)</u>

**Governmental Activities**

The Township's total governmental revenues increased by approximately \$75,000, primarily due to a higher number of ambulance runs than the year before.

Expenses decreased by about \$219,000 compared to the previous year, primarily in the fourth quarter, with the largest reduction being in Capital Outlay (Capital Outlay is an expenditure which results in the acquisition of fixed assets or additions to fixed assets which are presumed to have benefits for more than one year. It is an expenditure for land or existing buildings; improvements of grounds; construction of buildings; additions to buildings; remodeling of buildings; or, initial, additional and replacement of equipment) This was necessary because of a freeze in state-shared revenue (State-shared revenue is a program through which state revenue is distributed to local government units; in Michigan, local units may use it for any purpose.).

Any increase in state-shared revenue seems unlikely. In fact, with the state continuing to experience budget shortfalls the potential exists for further cuts. With the cost of doing business continuing to rise, more Township budget cuts are inevitable without new voted millage dollars from the community.

**Business-Type Activities**

The Township's largest business-type activities are the Public Works and Golf Course Funds. We provide water and sewer service to approximately 975 customers (residential and commercial) each month. In March 2005, we increased our water rates from a base rate of \$15.95 per month to \$19.95. This reversed a reduction in rates in 2002 when it was lowered from \$19.95 to \$15.95. Approximately 70% of the Public Works revenue comes from the five prison facilities in our service area.

In May 2004, the Kinross Charter Township Board voted to rename the golf course "The Oaks at Kincheloe." This was done to project a more modern concept and to enhance the image of the golf course. With the opening of a new course in Sault Ste. Marie, Ontario, and several new courses in the EUP over the last few years, the task of attracting customers is more challenging then ever, but the Oaks at Kincheloe continues to be one of the premier golf courses in the Upper Peninsula. Also in 2004, we refinanced our golf course bonds (Bond issue - bonds sold by a government agency at a particular time and identifiable by date of maturity) and were able to lower our interest rate from about 6.75% to 2.85%. The resulting reduction in our annual bond payment allowed us to float another bond issue, which provided financing for much needed upgrades to our irrigation system and the replacement of old equipment.

**The Township's Funds**

Our analysis of the Township's major funds begins on page 9, following the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2005 include the General Fund, Ambulance Fund, Police Fund, Golf Course Fund, and Public Works Fund.

The Ambulance Fund is our largest governmental fund with revenue of over one million dollars for 2005. The revenues have continued to climb since the Township began 24-hour coverage with non-volunteers in 2000. They now average nearly three runs per day.

**General Fund Budgetary Highlights**

Over the course of the year, the Township Board amended the budget to take into account various events that affected the budget during the year. The largest change was made in the Police Fund, where wages were reduced 10% from the original budget. This was made possible by promoting one of the full time officers to police chief, instead of hiring a part time employee to fill this position after the previous chief resigned. No other budget amendments had a significant impact on operations.

**Capital Asset and Debt Administration**

At the end of the 2004-05 fiscal year the Township had \$12,727,327 invested in a broad range of capital assets, including buildings, police, ambulance & fire equipment, and water and sewer infrastructure. The total debt that the Township is carrying in the amount of \$339,075 is lower than most municipalities, which gives us flexibility for the future and does not burden our budget with interest payments.

**Economic Factors and Next Year's Budgets and Rates**

A major concern for the future continues to be state-shared revenues. The State of Michigan has cut our revenue sharing by over \$100,000 since 2002. Any more cuts will result in some Township services being reduced or even eliminated. If the State proposes any further reduction in revenue sharing, we must coordinate with the Township Association, contact our State government officials, and let them know that local government provides many essential services that would be severely crippled if there are more cuts.

One area where the Township was able to save money by privatizing the assessing and zoning department. Our projected savings is \$18,000 for the 2005-06 budget, and over \$28,000 for 2006-07. Privatization is cost effective option for the future.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the township office.

## **Basic Financial Statements**

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**Charter Township of Kinross, Michigan****Statement of Net Assets****March 31, 2005**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Totals
<b>ASSETS:</b>			
Current Assets:			
Cash & Investments - Unrestricted	\$ 698,712	\$ 730,243	\$ 1,428,955
- Restricted	65,000	22,077	87,077
Receivables:			
Accounts (Net)	201,132	151,471	352,603
Interest	2,580	6,171	8,751
Lease	2,053	-	2,053
Internal Loans	24,696	741	25,437
Due from Governmental Units	56,199	530	56,729
Inventory	-	16,549	16,549
Prepaid Expenses	30,924	35,698	66,622
Other Assets	-	1,176	1,176
Noncurrent Assets:			
Capital Assets (Net of Accumulated Depreciation)	4,606,705	8,120,622	12,727,327
 TOTAL ASSETS	 \$ 5,688,001	 \$ 9,085,278	 \$ 14,773,279
<b>LIABILITIES:</b>			
Current Liabilities:			
Accounts Payable	26,404	57,411	83,815
Accrued Interest Payable	-	3,903	3,903
Due to Governmental Units	-	57	57
Other Liabilities	18,529	12,147	30,676
Notes Payable	4,100	-	4,100
Leases Payable	5,660	1,880	7,540
Deferred Revenue	-	1,486	1,486
Bonds Payable	-	26,000	26,000
Noncurrent Liabilities:			
Notes Payable	66,800	-	66,800
Leases Payable	10,094	9,641	19,735
Bonds Payable	-	219,000	219,000
Compensated Absences	31,714	49,677	81,391
 TOTAL LIABILITIES	 163,301	 381,202	 544,503
<b>NET ASSETS:</b>			
Invested in Capital Assets (Net of Related Debt)	4,520,051	7,875,622	12,395,673
Unrestricted	1,004,649	828,454	1,833,103
 TOTAL NET ASSETS	 \$ 5,524,700	 \$ 8,704,076	 \$ 14,228,776

# Charter Township of Kinross, Michigan

## Statement of Activities For the Year Ended March 31, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
Legislative	\$ 10,022	\$ -	\$ -	\$ (10,022)	\$ -	\$ (10,022)
General Government	418,851	197,846	-	(221,005)	-	(221,005)
Public Safety	285,683	43,731	37,488	(204,464)	-	(204,464)
Health & Welfare	987,753	1,021,815	-	34,062	-	34,062
Recreation	38,895	1,399	18,331	(19,165)	-	(19,165)
Public Works	43,893	2,710	7,972	(33,211)	-	(33,211)
Debt Service	11,537	-	-	(11,537)	-	(11,537)
Other Expenditures	121,900	-	-	(121,900)	-	(121,900)
Total Governmental Activities	1,918,534	1,267,501	63,791	(587,242)	-	(587,242)
<b>Business-type activities:</b>						
Recreation Center	153,056	51,183	-	-	(101,873)	(101,873)
Chippewa County Fairgrounds	91,760	32,479	-	-	(59,281)	(59,281)
Golf Course	411,213	377,675	-	-	(33,538)	(33,538)
Public Works	1,795,487	1,380,119	-	-	(415,368)	(415,368)
Total Business-type Activities	2,451,516	1,841,456	-	-	(610,060)	(610,060)
Total Primary Government	<u>\$ 4,370,050</u>	<u>\$ 3,108,957</u>	<u>\$ 63,791</u>	<u>(587,242)</u>	<u>(610,060)</u>	<u>(1,197,302)</u>
<b>General Revenues:</b>						
Taxes				368,034	-	368,034
Federal, State, & Local - General				4,091	32,170	36,261
State Revenue Sharing				515,043	-	515,043
Donations				700	-	700
Interest on Deposits				26,746	24,929	51,675
Gain on Disposal of Fixed Asset				4,001	8,566	12,567
Investment Earnings (Loss)				(10,820)	(9,595)	(20,415)
Transfers				(119,515)	119,515	-
<b>Total General Revenues and Transfers</b>				<u>788,280</u>	<u>175,585</u>	<u>963,865</u>
Change in Net Assets				201,038	(434,475)	(233,437)
Net Assets - Beginning				5,323,662	9,258,251	14,581,913
Prior Period Adjustment				-	(119,700)	(119,700)
<b>Net Assets - Ending</b>				<u>\$ 5,524,700</u>	<u>\$ 8,704,076</u>	<u>\$ 14,228,776</u>

See accompanying notes to financial statements.

# Charter Township of Kinross, Michigan

## Balance Sheet Governmental Funds March 31, 2005

	General	Ambulance Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash & Investments - Unrestricted	\$ 349,887	\$ -	\$ 186,362	\$ 162,463	\$ 698,712
Cash & Investments - Restricted	-	-	-	65,000	65,000
Receivables:					
Accounts (Net)	1,276	191,620	-	8,236	201,132
Interest	2,580	-	-	-	2,580
Lease	-	-	-	2,053	2,053
Due from Other Funds	32,216	-	10,157	5,684	48,057
Due from Governmental Units	35,583	-	12,435	8,181	56,199
Prepaid Expenses	10,284	12,775	3,169	4,696	30,924
<b>TOTAL ASSETS</b>	<b>\$ 431,826</b>	<b>\$ 204,395</b>	<b>\$ 212,123</b>	<b>\$ 256,313</b>	<b>\$ 1,104,657</b>
<b>LIABILITIES:</b>					
Due to Other Funds	-	18,221	5,140	-	23,361
Accounts Payable	6,803	9,098	1,385	9,118	26,404
Other Liabilities	7,834	6,298	2,368	2,029	18,529
<b>TOTAL LIABILITIES</b>	<b>14,637</b>	<b>33,617</b>	<b>8,893</b>	<b>11,147</b>	<b>68,294</b>
<b>FUND BALANCES:</b>					
Unreserved:					
Undesignated	352,382	170,778	203,230	245,166	971,556
Designated for Capital Projects	64,807	-	-	-	64,807
<b>TOTAL FUND BALANCES</b>	<b>417,189</b>	<b>170,778</b>	<b>203,230</b>	<b>245,166</b>	<b>1,036,363</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 431,826</b>	<b>\$ 204,395</b>	<b>\$ 212,123</b>	<b>\$ 256,313</b>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b>					
Capital assets used by governmental activities are not financial resources and therefore are not reported in the funds.					4,606,705
Compensated absences liability not recognized in the funds.					(31,714)
Long term notes payable for governmental activities not due and payable in the current period.					(70,900)
Capital leases payable for governmental activities not due and payable in the current period.					(15,754)
<b>Net assets of governmental activities</b>					<b>\$ 5,524,700</b>



# Charter Township of Kinross, Michigan

## Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended March 31, 2005

	General	Ambulance Fund	Police Fund	Nonmajor Governmental Funds	Totals Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 101,209	\$ 4,513	\$ 196,286	\$ 66,026	\$ 368,034
Licenses & Permits	104	-	-	-	104
Federal Sources	-	-	25,197	7,972	33,169
State Sources	519,134	-	5,288	25,334	549,756
Charges for Services	4,694	993,349	711	406	999,160
Interest & Rentals	20,495	-	5,611	191,056	217,162
Rentals & Leases	-	-	-	2,926	2,926
Refunds & Reimbursements	6,606	28,466	34,441	3,567	73,080
Other	-	700	1,815	-	2,515
<b>TOTAL REVENUES</b>	<b>652,242</b>	<b>1,027,028</b>	<b>269,349</b>	<b>297,287</b>	<b>2,245,906</b>
<b>EXPENDITURES:</b>					
Legislative	10,022	-	-	-	10,022
General Government	375,987	-	-	-	375,987
Public Safety	-	-	226,181	31,164	257,345
Health & Welfare	-	931,801	-	-	931,801
Recreation	-	-	-	20,209	20,209
Public Works	2,724	-	-	41,169	43,893
Capital Outlay	4,955	5,151	6,370	36,410	52,886
Debt Service	-	14,582	-	855	15,437
Other Expenditures	40,906	-	-	102,810	143,716
<b>TOTAL EXPENDITURES</b>	<b>434,594</b>	<b>951,534</b>	<b>232,551</b>	<b>232,617</b>	<b>1,851,296</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>217,648</b>	<b>75,494</b>	<b>36,798</b>	<b>64,670</b>	<b>394,610</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of Fixed Assets	-	4,001	-	-	4,001
Unrealized Loss on Investments	(5,512)	-	(2,450)	(2,858)	(10,820)
Operating Transfers In	-	-	-	26,155	26,155
Operating Transfers Out	(145,670)	-	-	-	(145,670)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>66,466</b>	<b>79,495</b>	<b>34,348</b>	<b>87,967</b>	<b>268,276</b>
<b>FUND BALANCES, APRIL 1</b>	<b>350,723</b>	<b>91,283</b>	<b>168,882</b>	<b>157,199</b>	<b>768,087</b>
<b>FUND BALANCES, MARCH 31</b>	<b>\$ 417,189</b>	<b>\$ 170,778</b>	<b>\$ 203,230</b>	<b>\$ 245,166</b>	<b>\$ 1,036,363</b>

# Charter Township of Kinross, Michigan

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2005

Net Changes in fund balances - total governmental funds	\$ 268,276
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$149,409) and loss on disposal of assets (\$6,143) exceeded capital outlay \$68,640 in the current period.	(86,912)
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Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment creates the following net change:

Compensated absences	3,569
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	<u>16,105</u>
Changes in net assets of governmental activities	<u><u>\$ 201,038</u></u>

# Charter Township of Kinross, Michigan

## Statement of Net Assets

### Proprietary Funds

March 31, 2005

	Business-Type Activities			
	Enterprise Funds			Total
	Golf Course	Public Works	Nonmajor Enterprise Funds	
<b>ASSETS:</b>				
Cash & Investments - Unrestricted	\$ 4,865	\$ 597,015	\$ 128,363	\$ 730,243
Cash & Investments - Restricted	22,077	-	-	22,077
Accounts Receivable (Net)	-	150,076	1,395	151,471
Interest Receivable	-	6,171	-	6,171
Due from Other Funds	-	741	-	741
Due from Governmental Units	-	530	-	530
Inventory	16,009	-	540	16,549
Prepaid Expenses	3,866	29,261	2,571	35,698
Other Assets	1,176	-	-	1,176
Capital Assets, Net of Accumulated Depreciation	1,182,468	6,254,697	683,457	8,120,622
<b>TOTAL ASSETS</b>	<u>\$ 1,230,461</u>	<u>\$ 7,038,491</u>	<u>\$ 816,326</u>	<u>\$ 9,085,278</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 2,112	\$ 45,579	9,720	\$ 57,411
Accrued Interest Payable	3,903	-	-	3,903
Due to Governmental Units	46	-	11	57
Other Liabilities	1,084	9,604	1,459	12,147
Lease Payable - Current	1,880	-	-	1,880
Leases Payable	9,641	-	-	9,641
Deferred Revenue	-	1,486	-	1,486
Bonds Payable - Current	26,000	-	-	26,000
Bonds Payable	219,000	-	-	219,000
Compensated Absences	7,362	40,566	1,749	49,677
<b>TOTAL LIABILITIES</b>	<u>271,028</u>	<u>97,235</u>	<u>12,939</u>	<u>381,202</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets (Net of Related Debt)	937,468	6,254,697	683,457	7,875,622
Retained Earnings	21,965	686,559	119,930	828,454
<b>TOTAL NET ASSETS</b>	<u>\$ 959,433</u>	<u>\$ 6,941,256</u>	<u>\$ 803,387</u>	<u>\$ 8,704,076</u>

# Charter Township of Kinross, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended March 31, 2005

	Business-Type Activities			
	Enterprise Funds			Total Business-Type
	Golf Course	Public Works	Nonmajor Enterprise Funds	
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 224,968	\$ 1,330,772	17,023	\$ 1,572,763
Interest & Rentals	83,707	13,740	55,478	152,925
Other Revenue	69,000	44,173	43,331	156,504
Total Operating Revenues	377,675	1,388,685	115,832	1,882,192
<b>OPERATING EXPENSES:</b>				
Depreciation	59,555	472,839	68,563	600,957
Professional and Contractual Services	19,206	198,246	-	217,452
General and Administrative	327,202	1,124,402	176,253	1,627,857
Total Operating Expenses	405,963	1,795,487	244,816	2,446,266
<b>OPERATING INCOME (LOSS)</b>	(28,288)	(406,802)	(128,984)	(564,074)
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest on Deposits	-	23,367	1,562	24,929
Interest Expense	(5,250)	-	-	(5,250)
Unrealized Loss on Investments	-	(8,574)	(1,021)	(9,595)
Total Non-operating Revenues (Expenses)	(5,250)	14,793	541	10,084
Loss before Transfers	(33,538)	(392,009)	(128,443)	(553,990)
Operating Transfers In	-	-	119,515	119,515
Operating Transfers Out	-	-	-	-
<b>CHANGE IN NET ASSETS</b>	(33,538)	(392,009)	(8,928)	(434,475)
NET ASSETS, APRIL 1	1,130,971	7,333,265	794,015	9,258,251
Prior Period Adjustment	(138,000)	-	18,300	(119,700)
<b>NET ASSETS, MARCH 31</b>	\$ 959,433	\$ 6,941,256	\$ 803,387	\$ 8,704,076

# Charter Township of Kinross, Michigan

## Statement of Cash Flows Proprietary Fund Types For the Year Ended March 31, 2005

	Business-Type Activities			
	Enterprise			
	Funds			Total
	Golf Course	Public Works	Nonmajor Enterprise Funds	Business-Type
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 373,829	\$ 1,374,415	\$ 115,884	\$ 1,864,128
Payments to Suppliers	(213,915)	(787,597)	(79,567)	(1,081,079)
Payments to Employees	(123,109)	(442,366)	(90,892)	(656,367)
Net Cash Provided (Used) by Operating Activities	36,805	144,452	(54,575)	126,682
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Operating transfers in	-	-	119,515	119,515
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	119,515	119,515
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Bonds	277,894	-	-	277,894
Purchase of capital assets	(123,134)	(118,779)	-	(241,913)
Interest Payments	(5,250)	-	-	(5,250)
Principal Payments	(159,373)	-	-	(159,373)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,863)	(118,779)	-	(128,642)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	-	23,367	1,562	24,929
Net Change in Investments	-	(8,574)	(1,021)	(9,595)
Net Cash Provided (Used) by Investing Activities	-	14,793	541	15,334
Net Increase (Decrease) in Cash and Cash Equivalents	26,942	40,466	65,481	132,889
Balances - Beginning of the Year	-	556,549	62,882	619,431
Balances - End of the Year	\$ 26,942	\$ 597,015	\$ 128,363	\$ 752,320
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Loss	\$ (28,288)	\$ (406,802)	\$ (128,984)	\$ (564,074)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	59,555	472,839	68,563	600,957
Loss on Disposal of Fixed Assets	-	60,089	-	60,089
Change in Assets and Liabilities:				
(Increase)Decrease in Assets:				
Accounts Receivable (Net)	127	(13,955)	226	(13,602)
Interest Receivable	-	(1,040)	-	(1,040)
Due from other funds	500	172	-	672
Due from Governmental Units	-	2,068	-	2,068
Inventory	(5,250)	-	(330)	(5,580)
Prepays	(15)	(1,515)	156	(1,374)
Other Assets	792	-	-	792
Increase(Decrease) in Liabilities:				
Accounts Payable	(338)	4,033	6,787	10,482
Due to Other Governmental Units	46	-	11	57
Accrued Interest Payable	3,903	-	-	3,903
Other Liabilities	(1,589)	(12,032)	(2,753)	(16,374)
Compensated Absences	7,362	40,566	1,749	49,677
Deferred Revenue	-	29	-	29
Net Cash Provided by Operating Activities	36,805	144,452	(54,575)	126,682

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
March 31, 2005**

	Agency	Private Purpose Pension Trust Fund
<b>ASSETS:</b>		
Cash and Investments - Unrestricted	\$ 134,718	\$ 514,466
<b>TOTAL ASSETS</b>	<u>\$ 134,718</u>	<u>\$ 514,466</u>
<b>LIABILITIES:</b>		
Due to Other Funds	\$ 25,437	\$ -
Due to Other Governmental Units	109,281	-
<b>TOTAL LIABILITIES</b>	<u>\$ 134,718</u>	<u>-</u>
<b>NET ASSETS:</b>		
Undesignated		<u>514,466</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u>\$ 514,466</u>

## Charter Township of Kinross, Michigan

### Statement of Changes in Fiduciary Net Assets Fiduciary Fund For the Year Ended March 31, 2005

	Private Purpose Pension Trust Fund
<b>ADDITIONS:</b>	
Contributions:	
Employer	\$ 60,916
Employee	6,541
Total Contributions	67,457
Investment Income:	
Net appreciation (depreciation) in fair value of investments	19,319
Total Additions	86,776
<b>DEDUCTIONS:</b>	
General and Administration:	
Benefits	31,253
Total Deductions	31,253
Net Increase	55,523
Net Assets, Beginning of the Year	458,943
Net Assets, End of the Year	\$ 514,466

## **Notes to the Financial Statements**

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of Kinross, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Township:

##### **A – Reporting Entity:**

##### **Financial Reporting Entity**

Kinross Charter Township was organized under the provisions of the Michigan constitution. The Township is operated under a legislative form of government and provides services to its residents in many areas including: fire, ambulance, police protection, community development and enrichment, parks and recreation, public works, and general administrative services.

The Charter Township of Kinross has considered all potential units in evaluating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Government Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township.

##### Component Units:

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity as blended component units.

##### **Blended Component Units**

Kinross Township Building Authority – The Authority is an entity legally separate from the Township. The Authority is governed by a board appointed by the Kinross Township Board of Trustees and is reported as if it were part of the Township's operations because its primary purpose is the procurement and management of debt financing for the Township.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Kinross Township Economic Development Corporation – The Corporation is a legally separate non-profit corporation whose primary purpose is to promote economic development in Kinross Township. The board of the Kinross Township Economic Development Corporation is appointed by the Kinross Township Board of Trustees. The Corporation's annual budget is subject to the approval of the Kinross Township Board of Trustees and is financially accountable to the Township.

Kinross Brownsfield Redevelopment Authority – The Authority is an entity legally separate from the Township. The Authority is governed by a board appointed by the Kinross Board of Trustees and is reported as if it were part of the Township's operations because it is financially accountable to the Township. There has been no activity during fiscal year 2005.

**B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Taxes Receivable – Current or Property Taxes**

The Charter Township of Kinross property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Charter Township of Kinross as of the preceding December 31<sup>st</sup>.

The 2004 taxable valuation of the Charter Township of Kinross totaled \$35,716,309 of which ad valorem taxes levied consisted of 1.6425 mills for the Township operating and 1.4932 mills for roads, raising \$57,885 and \$53,432, respectively. These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable – current or as tax revenue.

The Township reports the following major governmental funds:

**General Fund**

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Ambulance Fund**

This fund accounts for operations that provide ambulatory services to the citizens of the Charter Township of Kinross, Michigan area, financed primarily by user charges.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Police Fund**

This fund accounts for operations that provide public safety services to the citizens of the Kincheloe, Michigan area.

The Township reports the following major business-type funds:

### **Golf Course Fund**

This fund accounts for operations that provide recreational services to area citizens, financed primarily by user charges.

### **Public Works Fund**

This fund accounts for operations that provide water, sewer, and garbage collection services to citizens of the Kincheloe, Michigan area, financed primarily by user charges.

Additionally, the Township reports the following fund types:

### **Agency Funds**

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; and (2) operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade receivables are shown as net of allowance for uncollectible amounts.

Capital Assets – Capital assets, which include property, plant, equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences - The Township employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. The annual vacation benefits earned by each employee during the current year are credited to the employee at the end of each pay period. Employees are encouraged to use vacation benefits during the current year. The Township allows employees to accrue vacation up to a maximum of 240 hours. The Township's employment policies provide for sick leave benefits to be earned at the rate of four hours per every 80 hours worked. When Township employees separate from Township employment, the employee will receive payment for sick time for each day accumulated up to a maximum of 80 hours.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues - Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues - Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers - During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by Township management.

Inventories and Prepaids Items - Inventories are valued at the lower of cost or market using the average cost method for proprietary fund types. Inventories of governmental funds recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each March, after receiving input from the individual departments, the Board of Trustees prepares a proposed operating budget for the fiscal period commencing April 1 and lapses on March 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through a resolution passed by the Board of Trustees.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year-end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations that were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

### NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>
Cash, Investments, and Equivalents -				
Unrestricted	\$ 698,712	\$ 730,243	\$ 1,428,955	\$ 649,184
Restricted	<u>65,000</u>	<u>22,077</u>	<u>87,077</u>	<u>-</u>
Total	<u>\$ 763,712</u>	<u>\$ 752,320</u>	<u>\$ 1,516,032</u>	<u>\$ 649,184</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Investments	\$ 691,687	\$ 514,466
Bank Deposits (checking and savings accounts, certificates of deposit)	823,728	134,718
Petty Cash and Cash on Hand	<u>617</u>	<u>-</u>
Total	<u>\$ 1,516,032</u>	<u>\$ 649,184</u>

Cash is restricted in the Golf Course Fund for purposes of repayment of the 2004 capital improvement bonds. Cash is restricted in the Property Management Fund for a streetscape project.



### NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

#### FAIR VALUE OF INVESTMENT ACTIVITY:

Security	Stated Value	Fair Value 04/01/04	Purchase (Sale)	Fair Value 03/31/05
FNMA Med-Term Note Due 12/21/11	50,000	51,703	(50,000)	-
FHLM Corp Med-Term Note Due 12/15/16	25,000	25,563	(25,000)	-
FHLM Corp Med-Term Note Due 2/15/17	25,000	25,563	(25,000)	-
FNMA Med-Term Note Due 02/22/17	25,000	25,500	(25,000)	-
FHLM Corp Med-Term Note Due 3/22/17	25,000	26,375	-	25,500
FNMA Med-Term Note Due 10/15/21	25,000	25,125	(25,000)	-
FNMA Medium Term Note Due 5/3/22	25,000	26,125	-	25,500
FHLM Medium Term Note Due 7/26/27	50,000	50,813	-	50,188
FHLM Medium Term Note Due 8/22/22	49,750	50,006	-	49,637
FHLM Medium Term Note Due 12/6/17	60,000	58,500	-	57,750
FHLM Medium Term Note Due 3/15/18	45,000	44,482	-	41,780
FHLM Medium Term Note Due 6/15/15	19,900	19,324	-	18,315
Tenn Valley Auth Strips Due 11/01/12	27,465	27,328	-	27,462
FHLM Medium Term Note Due 7/15/23	20,000	19,250	-	18,950
FHLM Medium Term Note Due 8/15/18	25,000	25,125	-	24,813
FHLM Medium Term Note Due 6/16/09	20,005	19,713	-	19,036
FNMA Medium Term Note Due 6/24/18	20,005	20,000	-	19,219
FHLM Medium Term Note Due 10/15/22	20,055	19,400	-	19,200
FHLB Bond Due 12/19/11	20,005	19,956	-	19,056
FHLB Bond Due 3/9/10	20,000	-	20,000	19,650
FHLB Bond Due 4/1/10	24,992	-	25,000	24,289
Fed Farm Credit Banks Due 3/15/11	19,925	-	20,000	19,488
FHLM Medium Term Note Due 8/15/14	40,000	-	40,000	39,163
FHLM Medium Term Note Due 2/15/15	20,000	-	20,000	19,269
FHLM Medium Term Note Due 3/15/15	20,000	-	20,000	19,354
FHLM Medium Term Note Due 3/15/20	26,000	-	26,000	24,870
FNMA Medium Term Note Due 3/4/24	54,000	-	54,000	52,347
FNMA Medium Term Note Due 2/25/05	20,000	-	20,000	18,569
FHLM Medium Term Note Due 3/15/25	20,000	-	20,000	19,069
FHLM Medium Term Note Due 3/18/25	20,000	-	20,000	19,213

#### Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

## NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the carrying amount of the Township's primary and fiduciary deposits was \$958,446 and the bank balance was \$1,048,205. Of the bank balance, \$322,077, approximately 31%, was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

### NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Township or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year-end, the government's investment balances were categorized as follow:

	Category			Carrying Value	Fair Value
	1	2	3		
Primary Government:					
Government Securities	\$ -	\$ 691,687	\$ -	\$ 691,687	\$ 691,687
Assets Held by:					
Pension Trust Fund					
Administration	-	-	-	514,466	514,466
Total Primary Government	\$ -	\$ 691,687	\$ -	\$ 1,206,153	\$ 1,206,153

Included in the Township's (Primary Government) investments at the balance sheet date are approximately \$119,005 of obligations of the Federal National Mortgage Association and approximately \$545,707 of obligations of the Federal Home Loan. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

### NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, are as follows:

	General Fund	Ambulance Fund	Police Fund	Public Works	Nonmajor Funds	Total
Receivables:						
Accounts (Net)	\$ 1,276	\$ 191,620	\$ -	\$ 150,076	\$ 9,631	\$ 352,603
Interest	2,580	-	-	6,171	-	8,751
Lease	-	-	-	-	2,053	2,053
Due From Others	35,583	-	12,435	530	8,181	56,729
Net Receivables	\$ 39,439	\$ 191,620	\$ 12,435	\$ 156,777	\$ 19,865	\$ 420,136

An allowance for uncollectible accounts receivables of \$165,859 is included with ambulance accounts receivables.

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 472,019	\$ -	\$ -	\$ 472,019
<i>Capital assets being depreciated:</i>				
Land improvements	253,692	41,365	-	295,057
Buildings and building improvements	3,575,476	-	5,241	3,570,235
Equipment	675,486	6,370	-	681,856
Office equipment	120,559	-	-	120,559
Vehicles	658,750	20,905	2,500	677,155
Subtotal	5,283,963	68,640	7,741	5,344,862
<i>Less accumulated depreciation for:</i>				
Land improvements	-	1,511	-	1,511
Buildings and building improvements	713,491	33,575	1,327	745,739
Equipment	116,973	40,107	-	157,080
Office equipment	54,344	7,957	-	62,301
Vehicles	177,557	66,259	271	243,545
Subtotal	1,062,365	149,409	1,598	1,210,176
Net capital assets being depreciated	4,221,598	(80,769)	6,143	4,134,686
Governmental activity capital assets – net of depreciation	\$ 4,693,617	\$ (80,769)	\$ 6,143	\$ 4,606,705
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 469,014	\$ -	\$ -	\$ 469,014
<i>Capital assets being depreciated:</i>				
Land improvements	1,899,421	20,669	-	1,920,090
Buildings and building improvements	6,546,216	-	-	6,546,216
Equipment	1,920,325	191,231	75,109	2,036,447
State projects	1,151,397	-	-	1,151,397
Water system	1,051,197	30,015	-	1,081,212
Sewer system	2,720,392	-	-	2,720,392
Subtotal	15,288,948	241,915	75,109	15,455,754
<i>Less accumulated depreciation:</i>				
Land improvements	972,432	45,587	-	1,018,019
Buildings and building improvements	2,573,429	200,372	-	2,773,801
Equipment	1,558,067	121,211	15,022	1,664,256
State projects	611,113	42,916	-	654,029
Water system	502,171	72,642	-	574,813
Sewer system	1,000,999	118,229	-	1,119,228
Subtotal	7,218,211	600,957	15,022	7,804,146
Net capital assets being depreciated	8,070,737	(359,042)	60,087	7,651,608
Business-type activities – net of depreciation	\$ 8,539,751	\$ (359,042)	\$ 60,087	\$ 8,120,622

## NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 46,433
Public Safety	28,338
Health and Welfare	55,952
Recreation	<u>18,686</u>
Total Governmental Activities	<u>\$ 149,409</u>

## NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Township reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

		DUE TO OTHER FUNDS			
DUE FROM		Ambulance	Police Fund	Agency	Total
	General Fund	\$ 18,221	\$ 5,140	\$ 8,855	\$ 32,216
	Police Fund	-	-	10,157	10,157
	Public Works	-	-	741	741
	All Others	-	-	5,684	5,684
	Total	<u>\$ 18,221</u>	<u>\$ 5,140</u>	<u>\$ 25,437</u>	<u>\$ 48,798</u>

### Interfund Transfers

		TRANSFERS OUT
TRANSFERS IN		General Fund
	All Other Nonmajor Funds	<u>\$ 145,670</u>
	Total	<u>\$ 145,670</u>

### NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Township contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Series 1992							
Building Authority Bonds*	4%-7%	2006	\$ 130,000	\$ -	\$ 130,000	\$ -	\$ -
USDA Loan	4.75%	2017	74,800	-	3,900	70,900	4,100
Total Governmental Activities			<u>\$ 204,800</u>	<u>\$ -</u>	<u>\$ 133,900</u>	<u>\$ 70,900</u>	<u>\$ 4,100</u>
<b>Business-Type Activities</b>							
Series 2004							
Refunding Bonds	2.85%	2008	-	138,000	28,000	110,000	26,000
Series 2004							
Capital Improvement Bonds	4.125%-5.375%	2026	-	135,000	-	135,000	-
Total Business-Type Activities			<u>\$ -</u>	<u>\$ 273,000</u>	<u>\$ 28,000</u>	<u>\$ 245,000</u>	<u>\$ 26,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 4,100	\$ 3,271	\$ 26,000	\$ 9,101
2007	4,300	3,070	27,000	8,901
2008	4,500	2,862	28,000	8,131
2009	4,700	2,643	29,000	7,333
2010	4,900	2,415	10,000	6,507
2011-2015	28,200	8,275	56,000	25,776
2016-2020	20,200	1,468	69,000	11,084
Total	<u>\$ 70,900</u>	<u>\$ 24,004</u>	<u>\$ 245,000</u>	<u>\$ 76,833</u>

### NOTE 7 - LONG-TERM DEBT (Continued)

The interest expense from Business-type activities is totally included as direct expense of the Golf Course.

Total accrued sick leave and vacation at March 31, 2005 amounted to \$81,391 as follows:

	Governmental Activities	Business-type Activities	Total
Accrued Vacation	\$ 19,593	\$ 31,535	\$ 51,128
Accrued Sick Leave	12,088	17,513	29,601
Comp. Time	<u>33</u>	<u>629</u>	<u>662</u>
Total Compensated Absences	<u>\$ 31,714</u>	<u>\$ 49,677</u>	<u>\$ 81,391</u>

### \*Defeased Debt

During 2005, The Township defeased \$130,000 of outstanding 1992 Building Authority Bonds, with an average interest rate of 6%. In order to defease the bonds, the Township issued \$138,000 General Obligation Limited Tax Refunding Bonds, Series 2004, with an interest rate of 2.85%. That amount was used to pay the balance of the 1992 Building Authority Bonds, recorded in the 1992 Building Authority Bond Construction Debt Service Fund. The Series 2004 Refunding Bonds are recorded in the Golf Course Fund. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the statements of net assets.

### NOTE 8 - CAPITAL LEASES

The Township leases an ambulance and a beverage cart under capital leases. The yearly lease payments for the ambulance that is leased from Rudyard Township are 50% of the amount that is collected from Rudyard Township for each ambulance run, until the price of \$20,000 is met. The beverage cart has yearly lease payments of \$3,588, including an interest rate of 14.00%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2006	\$ 8,949
2007	9,247
2008	8,022
2009	3,588
2010	<u>1,496</u>
Total minimum lease payments	31,302
Less amount representing interest	<u>(4,027)</u>
Present value of minimum lease payment	<u>\$ 27,275</u>

**NOTE 9 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for claims and participates in a risk pool for claims relating to the Township. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 10 - CONTINGENT LIABILITIES**

The Township has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Township. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the Township at March 31, 2005.

**NOTE 11 - SEGMENT INFORMATION**

Segment information for the year ended March 31, 2005 is as follows:

	<u>Golf Course</u>
Operating revenue	\$ 377,675
Depreciation	59,555
Operating income (loss)	(28,288)
Operating transfer – net	-
Net income (loss)	(33,538)
Fixed asset additions	123,134
Net working capital	12,968
Bonds and other long-term liabilities payable from operating revenues	245,000
Total assets	1,230,461
Total equity	959,433



### NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The defined contribution plan through the John Hancock Life Insurance Company of Kinross Charter Township is available to elected Township officials, full time employees and other employees designated by the Township Board. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual accounts are to be determined rather than specifying the amount of benefits the individual is to receive. Such benefits depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and the forfeitures of the other participant's benefits prior to vesting. The plan is funded at a rate of 5% of eligible compensation and is available to employees after a period of 4 years, at which time they become vested. Employees may voluntarily contribute 1 to 95% of compensation as established by the Township.

The Plan may be amended yearly by the Township. The Township's current year contribution to the plan amounts to \$60,916. Total wages of participating employees amounted to \$1,180,294 for the year ended March 31, 2005. Total wages for all employees amounted to \$1,507,091 for the year ended March 31, 2005.

### NOTE 13 - LEASES RECEIVABLE

Kinross Charter Township is a lesser in numerous lease agreements. The Township recorded revenue from its leases totaling \$186,486 for the fiscal year ended March 31, 2005. The Township's future minimum payments receivable for the leasing of building and land, accounted for as operating leases at March 31, 2005 are as follows:

Leased Asset	Fiscal Year Ending March 31				
	2006	2007	2008	2009	2010 Thereafter
Building 127	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 120,000
Building 300	15,551	-	-	-	-
Building 303	1,525	-	-	-	-
Building 308	49,317	49,317	24,659	-	-
Building 313—Curves for Women	5,400	5,400	4,500	-	-
Building 316	1,009	-	-	-	-
Building 346	4,210	4,210	1,052	-	-
Building 351	2,941	-	-	-	-
Building 354	14,400	14,400	14,400	14,400	3,600
Land—Century Tel	1,050	1,050	1,050	1,050	-
Tower—Alltel Corp.	7,200	7,200	7,200	7,200	1,460
Clubhouse—Frank Lalonde & Sons	3,658	3,658	3,658	3,658	-
Tower—Cellular One	4,516	1,515	-	-	-
<b>TOTAL</b>	<b>\$ 170,777</b>	<b>\$ 146,750</b>	<b>\$ 116,519</b>	<b>\$ 86,308</b>	<b>\$ 125,060</b>

**NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE**

Effective April 1, 2004, the Township implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant changes in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

**NOTE 15 - PRIOR PERIOD ADJUSTMENT**

Beginning net assets of the business-type activities were restated to account for debt and land not previously included in net assets.

Net assets as of March 31, 2004	\$ 9,258,251
Prior period adjustment for recognition of debt from prior years	(138,000)
Prior period adjustment for recognition of land from prior years	<u>18,300</u>
Net assets restated	<u>\$ 9,138,551</u>

## **Required Supplemental Information**

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# Charter Township of Kinross, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 95,270	\$ 95,270	\$ 101,209	\$ 5,939
Licenses & Permits	-	-	104	104
State Sources	506,000	495,090	519,134	24,044
Charges for Services	2,300	2,300	4,694	2,394
Interest & Rentals	14,200	14,200	20,495	6,295
Refunds & Reimbursements	5,800	6,010	6,606	596
TOTAL REVENUES	623,570	612,870	652,242	39,372
EXPENDITURES:				
Legislative:				
Township Board	11,500	11,500	10,022	1,478
General Government:				
Supervisor	56,370	58,870	58,383	487
Professional	143,340	155,340	127,413	27,927
Elections	5,250	5,250	2,373	2,877
Clerk	42,300	42,300	37,606	4,694
Assessor	25,870	28,170	28,010	160
Accounting	32,150	32,150	31,043	1,107
Treasurer	36,850	36,850	34,886	1,964
Township Hall	43,550	45,820	32,861	12,959
Board of Review	1,500	1,500	1,042	458
Cemetery	4,075	4,075	3,220	855
Planning & Zoning	33,500	33,210	19,150	14,060
Total General Government	424,755	443,535	375,987	67,548
Public Works:				
Highways, Streets, & Bridges	3,350	3,350	2,724	626
Total Public Works	3,350	3,350	2,724	626
Capital Outlay	20,500	11,605	4,955	6,650
Other Expenditures	74,937	71,727	40,906	30,821
TOTAL EXPENDITURES	535,042	541,717	434,594	107,123
EXCESS OF REVENUES OVER EXPENDITURES	88,528	71,153	217,648	146,495
OTHER FINANCING SOURCES (USES):				
Unrealized Loss on Investments	-	-	(5,512)	(5,512)
Operating Transfers Out	163,045	145,670	145,670	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (74,517)	\$ (74,517)	66,466	\$ 140,983
FUND BALANCE, APRIL 1			350,723	
FUND BALANCE, MARCH 31			\$ 417,189	

# Charter Township of Kinross, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Ambulance Fund Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,000	\$ 4,000	\$ 4,513	\$ 513
Charges for Services	994,085	994,085	993,349	(736)
Refunds & Reimbursements	-	-	28,466	28,466
Other Revenue	1,000	6,000	700	(5,300)
TOTAL REVENUES	999,085	1,004,085	1,027,028	22,943
EXPENDITURES:				
Health & Welfare	957,950	964,375	931,801	32,574
Capital Outlay	26,500	25,075	5,151	19,924
Debt Service	14,635	14,635	14,582	53
TOTAL EXPENDITURES	999,085	1,004,085	951,534	52,551
EXCESS OF REVENUES OVER EXPENDITURES	-	-	75,494	75,494
OTHER FINANCING SOURCES (USES):				
Sale of Fixed Assets	-	-	4,001	4,001
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ -	79,495	\$ 75,494
FUND BALANCE, APRIL 1			91,283	
FUND BALANCE, MARCH 31			\$ 170,778	

# Charter Township of Kinross, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Police Fund Year Ended March 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 184,541	\$ 192,541	\$ 196,286	\$ 3,745
Federal Grants	39,058	27,163	25,197	(1,966)
State Grants	2,545	3,245	5,288	2,043
Charges for Services	1,100	1,100	711	(389)
Interest	1,700	1,700	5,611	3,911
Other Revenue	2,100	2,100	1,815	(285)
Refunds & Reimbursements	31,000	31,000	34,441	3,441
TOTAL REVENUES	262,044	258,849	269,349	10,500
EXPENDITURES:				
Public Safety	247,286	233,786	226,181	7,605
Capital Outlay	14,758	20,163	6,370	13,793
TOTAL EXPENDITURES	262,044	253,949	232,551	21,398
EXCESS OF REVENUES OVER EXPENDITURES	-	4,900	36,798	31,898
OTHER FINANCING SOURCES (USES):				
Unrealized Loss on Investments	-	-	(2,450)	(2,450)
Operating Transfers Out	-	4,900	-	4,900
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	34,348	<u>\$ 34,348</u>
FUND BALANCE, APRIL 1			168,882	
FUND BALANCE, MARCH 31			<u>\$ 203,230</u>	

## **Other Supplemental Information**

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# Charter Township of Kinross, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds March 31, 2005

	Special Revenue Funds					Total
	Fire	Property Management	Drug Forfeiture	Road Maintenance Millage	Snowmobile Trail Grooming	
<b>ASSETS:</b>						
Cash & Investments - Unrestricted	\$ 32,573	\$ 63,800	\$ 596	\$ 63,977	\$ 1,517	\$ 162,463
Cash & Investments - Restricted	-	65,000	-	-	-	65,000
Accounts Receivable (Net)	264	-	-	7,972	-	8,236
Lease Receivable	-	2,053	-	-	-	2,053
Due from Other Funds	-	-	-	5,684	-	5,684
Due from Governmental Units	-	-	-	-	8,181	8,181
Prepays	2,679	1,455	-	-	562	4,696
<b>TOTAL ASSETS</b>	<u>\$ 35,516</u>	<u>\$ 132,308</u>	<u>\$ 596</u>	<u>\$ 77,633</u>	<u>\$ 10,260</u>	<u>\$ 256,313</u>
<b>LIABILITIES:</b>						
Accounts Payable	\$ 1,219	\$ 7,513	\$ -	\$ -	\$ 386	\$ 9,118
Other Liabilities	1,277	740	-	-	12	2,029
<b>TOTAL LIABILITIES</b>	<u>2,496</u>	<u>8,253</u>	<u>-</u>	<u>-</u>	<u>398</u>	<u>11,147</u>
<b>FUND BALANCES:</b>						
Unreserved:						
Undesignated	33,020	124,055	596	77,633	9,862	245,166
<b>TOTAL FUND BALANCES</b>	<u>33,020</u>	<u>124,055</u>	<u>596</u>	<u>77,633</u>	<u>9,862</u>	<u>245,166</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 35,516</u>	<u>\$ 132,308</u>	<u>\$ 596</u>	<u>\$ 77,633</u>	<u>\$ 10,260</u>	<u>\$ 256,313</u>



# Charter Township of Kinross, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended March 31, 2005

	Special Revenue Funds					Total
	Fire	Property Management	Drug Forfeiture	Road Maintenance Millage	Snowmobile Trail Grooming	
<b>REVENUES:</b>						
Taxes	\$ 4,513	\$ -	\$ -	\$ 61,513	\$ -	\$ 66,026
Federal Sources	-	-	-	7,972	-	7,972
State Sources	7,003	-	-	-	18,331	25,334
Charges for Services	400	-	-	-	6	406
Interest & Rentals	753	187,593	-	2,710	-	191,056
Rentals & Leases	-	2,926	-	-	-	2,926
Refunds & Reimbursements	-	2,174	-	-	1,393	3,567
<b>TOTAL REVENUES</b>	<b>12,669</b>	<b>192,693</b>	<b>-</b>	<b>72,195</b>	<b>19,730</b>	<b>297,287</b>
<b>EXPENDITURES:</b>						
Public Safety	31,164	-	-	-	-	31,164
Public Works	-	-	-	41,169	-	41,169
Recreation	-	-	-	-	20,209	20,209
Capital Outlay	-	36,410	-	-	-	36,410
Debt Service	855	-	-	-	-	855
Other Expenditures	-	102,810	-	-	-	102,810
<b>TOTAL EXPENDITURES</b>	<b>32,019</b>	<b>139,220</b>	<b>-</b>	<b>41,169</b>	<b>20,209</b>	<b>232,617</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(19,350)</b>	<b>53,473</b>	<b>-</b>	<b>31,026</b>	<b>(479)</b>	<b>64,670</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Unrealized Loss on Investments	(204)	(1,837)	-	(817)	-	(2,858)
Operating Transfers In	26,155	-	-	-	-	26,155
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>6,601</b>	<b>51,636</b>	<b>-</b>	<b>30,209</b>	<b>(479)</b>	<b>87,967</b>
<b>FUND BALANCES, APRIL 1</b>	<b>26,419</b>	<b>72,419</b>	<b>596</b>	<b>47,424</b>	<b>10,341</b>	<b>157,199</b>
<b>FUND BALANCES, MARCH 31</b>	<b>\$ 33,020</b>	<b>\$ 124,055</b>	<b>\$ 596</b>	<b>\$ 77,633</b>	<b>\$ 9,862</b>	<b>\$ 245,166</b>

# Charter Township of Kinross, Michigan

## Combining Statement of Net Assets Nonmajor Enterprise Funds March 31, 2005

	Recreation Center	Chippewa County Fairgrounds	Total
<b>ASSETS:</b>			
Cash & Investments - Unrestricted	\$ 66,144	\$ 62,219	\$ 128,363
Accounts Receivable (Net)	146	1,249	1,395
Inventory	540	-	540
Prepays	1,248	1,323	2,571
Land & Land Improvements	166,801	457,428	624,229
Buildings & Building Improvements	251,910	668,087	919,997
Equipment	35,971	73,945	109,916
Accumulated Depreciation	(246,046)	(724,639)	(970,685)
<b>TOTAL ASSETS</b>	<b>\$ 276,714</b>	<b>\$ 539,612</b>	<b>\$ 816,326</b>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 3,665	\$ 6,055	\$ 9,720
Due to Governmental Units	11	-	11
Other Liabilities	857	602	1,459
Compensated Absences	1,749	-	1,749
<b>TOTAL LIABILITIES</b>	<b>6,282</b>	<b>6,657</b>	<b>12,939</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets	208,636	474,821	683,457
Unrestricted	61,796	58,134	119,930
<b>TOTAL NET ASSETS</b>	<b>270,432</b>	<b>532,955</b>	<b>803,387</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 276,714</b>	<b>\$ 539,612</b>	<b>\$ 816,326</b>

**Charter Township of Kinross, Michigan****Combining Statement of Revenues, Expenses, and  
Changes in Net Assets - Nonmajor Enterprise Funds  
For the Year Ended March 31, 2005**

	Recreation Center	Chippewa County Fairgrounds	Total
<b>OPERATING REVENUES:</b>			
Charges for Services	17,023	-	17,023
Interest & Rentals	27,853	27,625	55,478
Other Revenue	38,477	4,854	43,331
<b>TOTAL OPERATING REVENUES</b>	<b>83,353</b>	<b>32,479</b>	<b>115,832</b>
<b>OPERATING EXPENSES:</b>			
General and Administration	132,672	43,581	176,253
Depreciation	20,384	48,179	68,563
<b>Total Operating Expenses</b>	<b>153,056</b>	<b>91,760</b>	<b>244,816</b>
<b>OPERATING LOSS</b>	<b>(69,703)</b>	<b>(59,281)</b>	<b>(128,984)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest on Deposits	-	1,562	1,562
Unrealized Loss on Investments	(408)	(613)	(1,021)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(408)</b>	<b>949</b>	<b>541</b>
<b>Loss Before Transfers</b>	<b>(70,111)</b>	<b>(58,332)</b>	<b>(128,443)</b>
<b>Operating Transfers In</b>	<b>96,505</b>	<b>23,010</b>	<b>119,515</b>
<b>CHANGE IN NET ASSETS</b>	<b>26,394</b>	<b>(35,322)</b>	<b>(8,928)</b>
<b>NET ASSETS, APRIL 1</b>	<b>225,738</b>	<b>568,277</b>	<b>794,015</b>
<b>ADJUSTMENTS TO FUND EQUITY:</b>			
Prior Period Adjustment	18,300	-	18,300
<b>NET ASSETS, MARCH 31</b>	<b>\$ 270,432</b>	<b>\$ 532,955</b>	<b>\$ 803,387</b>

# Charter Township of Kinross, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended March 31, 2005

	Recreation Center	Chippewa County Fairgrounds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from Customers	\$ 83,148	\$ 32,736	\$ 115,884
Payments to Suppliers	(57,900)	(21,667)	(79,567)
Payments to Employees	(73,670)	(17,222)	(90,892)
Net Cash Provided (Used) by Operating Activities	(48,422)	(6,153)	(54,575)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers In	96,505	23,010	119,515
Net Cash Provided (Used) by Noncapital Financing Activities	96,505	23,010	119,515
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest Income	-	1,562	1,562
Net Change in Investments	(408)	(613)	(1,021)
Net Cash Provided (Used) by Investing Activities	(408)	949	541
Net Increase (Decrease) in Cash and Cash Equivalents	47,675	17,806	65,481
Balances - Beginning of the Year	18,469	44,413	62,882
Balances - End of the Year	\$ 66,144	\$ 62,219	\$ 128,363
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Loss	\$ (69,703)	\$ (59,281)	\$ (128,984)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	20,384	48,179	68,563
Change in Assets and Liabilities:			
(Increase)Decrease in Assets:			
Accounts Receivable (Net)	132	94	226
Inventory	(330)	-	(330)
Prepays	(7)	163	156
Increase(Decrease) in Liabilities:			
Accounts Payable	1,273	5,514	6,787
Due to Other Governmental Units	11	-	11
Other Liabilities	(1,931)	(822)	(2,753)
Compensated Absences	1,749	-	1,749
Net Cash Provided by Operating Activities	\$ (48,422)	\$ (6,153)	\$ (54,575)

## **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA  
DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN  
MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Charter Township of Kinross, Michigan  
Kincheloe, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Kinross, Michigan, as of and for the year ended, March 31, 2005, which collectively comprise the Charter Township of Kinross, Michigan's basic financial statements and have issued our report thereon dated June 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Kinross, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Board of Trustees  
Charter Township of Kinross, Michigan  
Kincheloe, Michigan

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Kinross, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 9, 2005



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT TO MANAGEMENT**

Members of the Board of Trustees  
Charter Township of Kinross  
Kincheloe, Michigan 49788

We have audited the financial statements of the Charter Township of Kinross, Michigan for the year ended March 31, 2005, and have issued our reports thereon dated June 9, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Charter Township of Kinross, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Charter Township of Kinross, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.



### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. As of April 1, 2004 the Township did implement the provisions of GASB Statement #34.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to record the last quarter of Pension Trust activity. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Comments and Recommendations**

#### **ACCOUNTS RECEIVABLES: (Repeat)**

In the general fund, there is an accounts receivable that is over ten years old. In the fire fund, there is an accounts receivable that is over thirteen years old. There is also an accounts receivable in the fairgrounds fund that is over nine years old. It is unlikely that these amounts will be collected by the Township. It is recommended that such stale balances be written off after Board approval.

#### **BOARD MINUTES: (Repeat)**

Currently, not all board minutes are signed. It is recommended that the board minutes for every meeting be signed by the Supervisor and the Clerk.

#### **CASH**

It was noted during the testing of cash that there are outstanding checks drawn on the Accounts Payable checking account that date back as far as August of 2002. It is recommended that the payee of those checks be contacted to determine if the check is still valid or the Credit Union should be contacted to stop payment on those checks.

## **USE OF WATER AND SEWER REVENUES**

Management has raised the issue of legal use of water and sewer fees e.g. expansion, funding of department of public works, debt service and other uses. In March of 2002 the ordinances Water 1.123 and Sewer 1.124 were amended to conform to relevant Public Acts and Michigan Compiled Law. The fee structure was also revised to base the user fees on funds needed to cover operations, maintenance and replacement. Then in the summer of 2003, funds were spent for a service road and water and sewer extension, which would appear to violate the ordinances. An argument can be made that the ordinances cannot prohibit the expenditures mentioned since there is no State or Federal Law prohibiting it. However, based on that argument those fees could be spent on activities unrelated to water and sewer operations which could be politically unfavorable with the citizens paying water and sewer fees.

We recommend that the Township consult with Michigan Attorney General's Office as to the legality of the use of water and sewer fees. After a determination is made the Township should review its infrastructure plans to ensure that the expansions and improvements are funded with allowable sources.

## **Conclusion**

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing any of the above recommendations, please contact us.

This information is intended solely for the information and use of the Township Board, the cognizant audit agencies and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

June 9, 2005